


Chapter 4

Key Factors for Entrepreneurial Success: A Synthesis of Earlier Research and an Agenda Proposal to Support Entrepreneurial Training

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ABSTRACT

Studies about success and unsuccess factors for startups are still relevant due to the dispersion of the literature about it. Additionally, it remains important to understand how some usual tools used by the entrepreneurs could support a better diagnosis of the success conditions in an earlier phase of the business, avoiding or preventing the unsuccess. This study is a work in progress financed by EU under Erasums+ Program and aims to discuss the factors that influence the business entrepreneurial success considering several stages of the business and its maturity. Finally, it also attends to the business plan as an important tool for entrepreneurial success. The chapter organizes contributions attending to the dimensions—entrepreneurial profile, external environment, and managerial process—and presents an agenda about a set of factors in a macro perspective (public policies, infrastructures, etc.) and in a micro perspective (entrepreneurial profile, social and human capital, etc.) that allows a reflection about the success on a different stage of a business.

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INTRODUCTION

When we consider the sustainability of a new venture in long term, the issues related to the success or unsuccess/failure comes to the theoretical discussion. Nevertheless, the literature about it remains disperse and approach several aspects, such as, measures to capture success of a business idea, financial sustainability, entrepreneur profile, etc. persists with a lack of systematization. Attending to this dispersion this paper tries to organize the more pertinent contributions attending to the dimensions: entrepreneurial profile; external environment and managerial process.

Concerning entrepreneurial profile some studies focused this aspect as a critical success factor (Kristiansen, Furuholt, & Wahid, 2003). Business behaviour as seem like a function of the individual differences (López-Núñez et al, 2020) and personality and capacity factors can predict business activity and discriminate between ‘successful’ and ‘unsuccessful’ entrepreneurs (Rauch & Frese, 2007; Zhao & Seibert, 2006). Factors that influence the success of a new project have been discussed among academics and most of the researchers have highlighted the importance of the entrepreneur in the process of entrepreneurial success (Omri, Frika and Bouraoui, 2015).

Each year millions of new businesses started all over the world. But according with McKenzie and Paffhausen (2018) more than a quarter of these business fail within their first year, while only a small subgroup of firms grows rapidly generating value and income (Olafsen and Cook, 2016).

The capability to identify previously which firms will succeed is important either for entrepreneurs or investors. In this sense business plan is considered an important strategic tool for entrepreneurs. Planning plays a determinant role in predicting the degree of success potentially achieved by new business.

Developing an appropriate business plan can help entrepreneurs to focus on the strategies and actions that are necessary for business succeed, as well as to achieve both short-term and long-term objectives.

ENTREPRENEURIAL SUCCESS: AN EFFORT TO INTEGRATE SEVERAL CONTRIBUTIONS

The success of a startup entrepreneurial profile appears as an important issue in the literature. Some of the factors that explain the success are:

- Establishment of business goals and take timely decisions to achieve those goals in increasingly competitive and uncertain environments (Ayala and Mazano, 2014);
- Resilience i.e., a high degree of tolerance for ambiguity and a dynamic adaption to change and future, that able to learn from their mistakes (Ayala & Manzano, 2010);
- Gender and possible differences in personal characteristics between men and women that could influence the success of their business (Danes, Stafford & Loy, 2007; Danes et al., 2009). Campbell-Sills, Forde and Stein (2009) identified significant differences between the degree of resilience revealed by men and women. However, this factor is not consensual in literature and some researchers have disclosed differences between men and women in personality traits (Weisberg, DeYoung & Hirsh, 2011), emotional variables (Cabello, Sorrel, Fernández-Pinto, Extremera & Fernández-Berrocal, 2016) and entrepreneurial intention (Santos, Roomi & Liñán, 2016). According to López-Núñez et al (2020, 2) women report higher scores than men “on Big Five personality traits, less frequently perceive themselves as entrepreneurs and have lower perceptions

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of self-confidence in performing entrepreneurial tasks”. These findings indicate the suitability of controlling the effect of gender and age on the entrepreneur’s profile. Nevertheless, the research about gender remains inconclusive and other studies did not recognize gender differences in aspects, such as the degree of resilience (Burns and Anstey, 2010; Karairmak, 2010).

- High levels of human and social capital are more likely to create business with high growth potential and profitability (Omri, Frika and Bouraoui, 2015). The social capital i.e., the resources embedded in entrepreneurs’ personal networks, are considered as critical to the performance of small firms due their ability to identify new business opportunities, obtain resources at lower costs compared with market price, and increase legitimacy through external stakeholders (Stam et al., 2014). Networks are a key topic for new entrepreneurial projects because influences individuals and the ways that organizations are managed, developed, maintained, and sustained (Omri and Ayadi-Frikha, 2014; Costa & Galina, 2016).
- Motivation is also point out as an important factor for success (Alstete, 2008; Headd, 2003; Kim, Kim, & Jeon, 2018; Naffziger, Hornsby, & Kuratko, 1994; Van Praag, 2003; Van Praag & Cramer, 2001).

According to Dover and Dierk (2010) it is important to analyse this entrepreneurial profile attending to different traits that can be identified both in startups and different companies: manager (focusing on complexity – plan, organize, coordinate and control); leader (focusing on change – set direction, align, and motivate people) and entrepreneur (focusing on opportunities – identify innovate and value creation).

External environment is also important to influence business success (Huggins, 2000; Carvalho et al, 2019; Costa & Galina, 2016) and, also, the way of doing business and cooperation (Hitt & Ireland 2000; and Jarillo 1988; Paulo et al., 2017). External environment is pointed as an influence for success of new businesses: government agencies, trade unions, creditors, clients, or suppliers, on organizational activities, including strategic decisions (Child, Elbanna, & Rodrigues, 2010). Moreover, for mature companies the success criteria can be related also with the perspective of the various construction stakeholders, as client, consultants, and contractors. (Toor & Ogunlana, 2010).

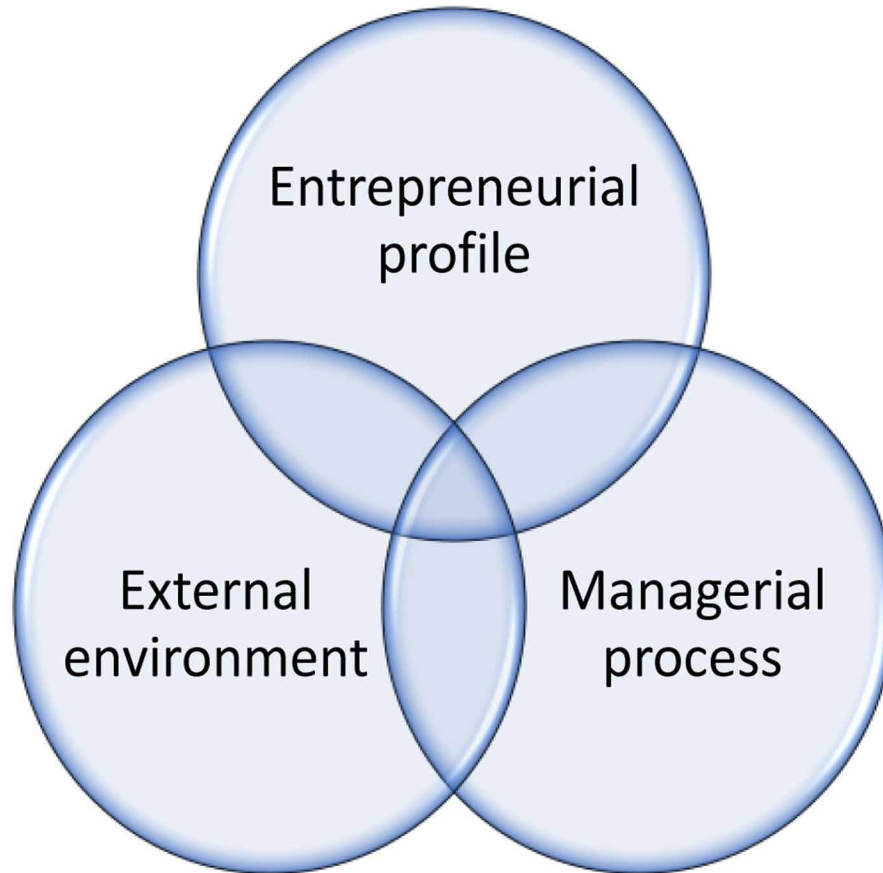
Finally, managerial process is also considered a key dimension for success of new businesses and mature companies (Omri and Ayadi-Frikha, 2014). This dimension includes a set of variables, such as know-how (Swierczek & Ha, 2003), enterprise size, particularly SMEs (Kristiansen, Furuholt, & Wahid; 2003), customers and markets (William, James, & Susan; 2005), resources and finance (Swierczek & Ha, 2003; and Kristiansen, Furuholt & Wahid, 2003) and strategy (McMahon, 2001). Most of the firms born small, so dimension and especially small business are linked with success and survival. Several authors refer other factors that influence success and survival of small business, such as innovation, human, social, and financial capital of entrepreneurs (Thornhill, 2006; Unger et al., 2011), human and financial capital (Coleman, 2007; Unger et al., 2011; Baptista et al., 2013) and social capital (Luca and Presutti, 2010). Additionally, is important to highlight that the success of business for mature companies have some constraints due to the managers major concerns with daily operations neglecting the market demand and new technologies investment so important for the futures success of companies (Alam et al., 2010).

Figure 1 provides a perspective about the three dimensions and its overlays that allows a large balance to enhance the success of startups.

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Figure 1. Dimensions of entrepreneurial success

Source: Authors



The balance between these three dimensions and variables included in each one could be tricky. In this way entrepreneurs benefit in planning their activity to identify possible risks, resources, and financial forecast. One of the more popular tools to do it is Business Plan, next section improve the discussion about business plan and their potential role to the entrepreneurial success.

THE BUSINESS PLAN AS A TOOL FOR ENTREPRENEURIAL SUCCESS

Nowadays the success of new ventures is deeply related with the opportunity exploration and innovation (Drucker, 1985; Drucker, 2015; GEM, 2019/2020). Particularly startups must born with an innovative matrix (Del Bosco, B, Mazzucchelli, A., Chierici, R. & Di Gregorio, A., 2019). But also, mature companies to compete in a complex market must have innovation in their DNA. Frequently when these companies want to expand their business, they use the business plan as a tool for planning innovative projects, as well as in case of spinoffs.

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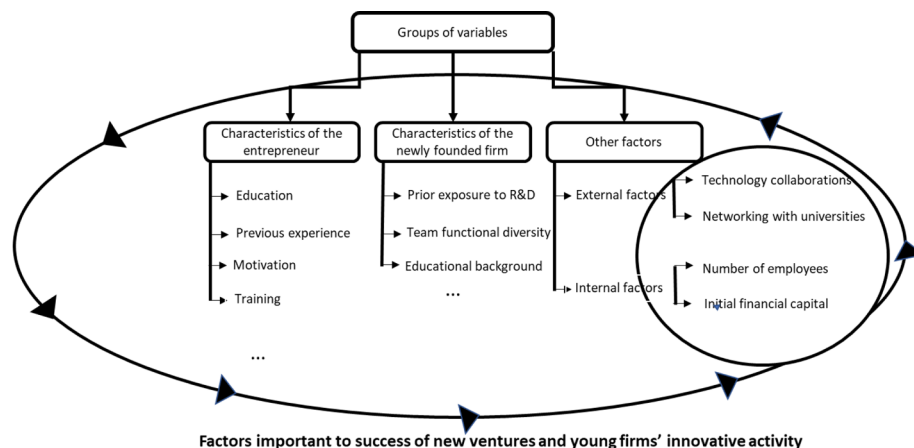
A good business plan allows entrepreneurs to respond to changes effectively and sometimes means the difference between long-term success and failure. However, some authors refer that the relation between successful business practice and the previous existence of a business plan is not clearly supported by empirical evidence and consequently some entrepreneurs choose to write business plans without actually implementing their plan's goals, objectives, and methods in their venture (Karlsson and Honig, 2009). In these cases, the business plan becomes a figurative exercise written to please stakeholders (Zimmerman and Zeitz, 2002; Delmar and Shane, 2004).

More important than write a business plan is crucial to join several factors that allows the implementation of the planning.

The literature usually refers three groups of variables correlated with innovation and determinant for business plan success: the ones related with the characteristics of entrepreneurs, the ones related with the characteristics of the newly founded firm, and the ones related with external environment depending on the geographical and industrial environment in which entrepreneurial activity occurs (Franco & Haase, 2010; Schutjens & Wever, 2000).

Figure 2. Groups of variables determinant for startups business plan success

Source: Authors



Concerning that characteristics of the entrepreneurs have a positive effect on startup success, they can influence the development and operationalization of business plan. In general education provide a set of skills that facilitate this process and this aspect is corroborate in literature by several authors that consider education as a critical success factor (Astebro & Bernhardt, 2003; Bates, 1997; Gimeno, Folta,; Headd, 2003; Jones et al, 2017; Schiller & Crewson, 1997; Smith & Clegg, 2016; Van de Ven et al., 1984). Other authors considerer the previous experience in the field or in successful business (Amankwah-Amoah, Boso, & Antwi-Agyei, 2018; Byrne & Shepherd, 2015; Cope, 2011; Doutriaux, 1992; Dyke et al., 1992; Luk, 1996; Peña, 2002; Reuber & Fisher, 1999). Finally, training and experience are also frequently referred as the determinant success of the business (Alstete, 2008; Headd, 2003; Van Praag, 2003; Van Praag & Cramer, 2001). Particularly, according to Haber and Reichel (2005) and West

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and Noel (2009), the training and experience of an entrepreneur are crucial for a proper formulation of the business plan and assure the ability to adapt to environmental changes and to improve the necessary implementations, and consequently increasing the chances of business success. Additionally, Headd (2003) and Ho and Wong (2007) considerer that when the entrepreneurs are motivated by the search for independence, autonomy, and the will to create their own businesses, the rigor and precision in planning are usually higher, the which also increases the willingness to make all necessary efforts to ensure that the business plan becomes a sustainable reality can be expected.

However, also the characteristics of the newly founded firm are pointed by several studies as important for business plan implementation and development. According to Protogerou, Caloghirou, & Vonortas (2017) both internal factors, especially those encapsulated in the human capital of founders such as prior exposure to R&D, team functional diversity and educational background, and external firm characteristics, such as technology collaborations and networking with universities are important in explaining young firms' innovative activity.

In addition to the characteristics of the entrepreneur, two other aspects are important, especially for the business plan operationalization, such as, the number of employees (Argawal & Audretsch, 2001; Dunne & Hughes, 1994; López-García & Puente, 2006) and initial financial capital (Brüderder et al., 1992; Headd, 2003; Schutjens and Wever, 2000). Therefore, the greater is the number of employees and the initial funding capital of startups to start its commercial activities, the better it's the chances of survival and development in long term. According with Bruöderl and Schuëssler (1990) the greater the resources that companies have at their disposal, the better their chances of survival during their initial stage of existence and their sustainability. This healthy situation in terms of resources can help the business to function long enough to identify suitable organizational routines, learn to cooperate with the various internal and external stakeholders, gain legitimacy and develop the knowledge and skills necessary for a proper implementation of the business plan, as well as to adapt their content, plans and processes, depending on the evolution of the variables relevant to the environment.

MEASURES FOR ENTREPRENEURIAL SUCCESS

In macroeconomic perspective entrepreneurship is associated with innovation (Schumpeter, 1961), economic growth (Carree and Thurik, 2003) and improvements in the country's welfare (Lumpkin & Dess, 1996; Porter, 1985). In this perspective the measure of the success is based mainly on organizational performance indicators, such as company survival, sales, profit, employee growth, market share, return of the investment (Chandler and Hanks, 1998). This organizational success indicators could be collected in the three ways (Richard, Devinney, Yip and Johnson, 2009):

1. From accounting and financial market information
2. From internal benchmarking of entrepreneurs: company growth, sales, profits, etc.
3. From external benchmarking of entrepreneurs: evaluation of the company comparing with rivals.

Moreover, financial performance, in the organizational perspective can provide other type of indicators linked with strategic direction (goals, vision, mission directed to the future results; building an effective team; and, benchmarking progress against goals) and national or global impact (market share;

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expansion in national and international market; plans to enable international growth and increase impact) (Wach, 2010).

Nevertheless, other academics point out the importance of measure success using other indicators (non-pecuniary) because sometimes pecuniary indicators could be manipulated for tax reasons/earning management (Ramirez-Orellana et al, 2017) or the tendency to positively judgement of their one situation (Taylor and Brown, 1994).

This perspective highlighting the importance of consider performance concept as more than the economic dimension, such as intangible success linked with variables more associated to the entrepreneur profile, such as autonomy, independence, work-enjoyment, self-directed work and high achievement (McClelland, 1961, Schwartz and Bardi, 1997), work satisfaction (Chen et al, 2016), positive relationship with their employees and customers to achieve social recognition, to contribute to society (e.g. social entrepreneurs) or for firm continuity (e.g. family business entrepreneurs) (Gorgievski, Ascalon and Stephan, 2010). Table 1 present a taxonomy for entrepreneurial success criteria in the personal and organizational criteria.

Table 1. Taxonomy of entrepreneurial success criteria

Personal success criteria	Organizational success criteria
Self-enhancement/self- realization	Company survival
Autonomy/independence	Employee numbers and growth
Financial Security/Personal Income	Return on investment
Interesting tasks	Cash flow
Being one's own boss/influence	Sales and their growth
Reputation/prestige	Market share and expansion
Social interactions with employees and customers	General company performance and growth
Providing needed products and services	Being better then rivals

Source: Wach, 2010

CRITICAL DISCUSSION ABOUT SUCCESS FACTORS OF THE BUSINESS PLAN

The literature review about the relevance of business plan as a tool for startups and mature companies allowed the systematization of the success factors. Figure 3 provide a summary of different theoretical perspective presented in previous section.

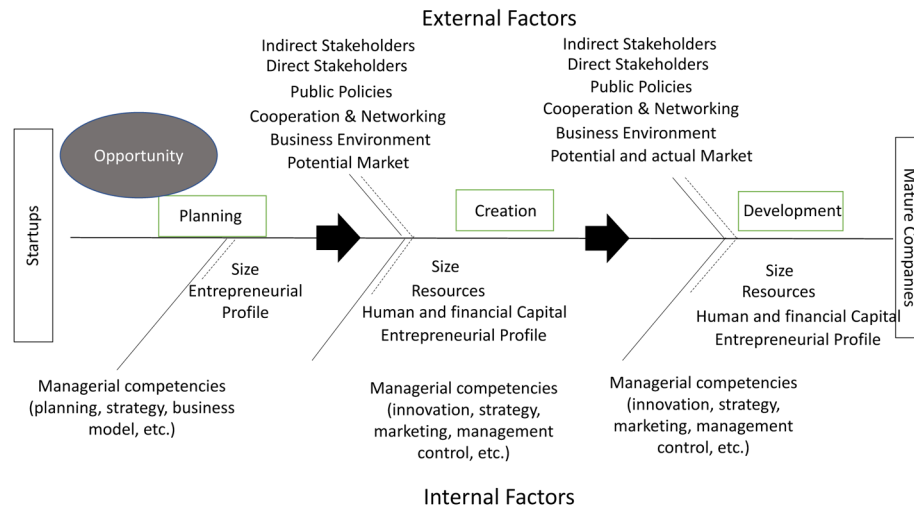
This paper considerers different types of business, namely startups, represented on the left side of the figure as well as mature companies, represented on the right side.

The center line of the figure symbolizes the course of companies since the first stage of creation until their development (planning, creation and development of business). During this course, the companies face the influence of internal and external factors. However, according with literature review, some of these factors are commons to startups and mature companies, but some of them depends on the stage of the business. This track begins in the market with the evaluation of an opportunity and the creation and capture of startup value. During planning a set of internal factors influence the success such as, size

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Figure 3. A synthesis about success factors of the Business Plan

Source: Authors



(startups born small), entrepreneurial profile (education, previous experience, motivation, resilience, training, personal characteristics such as gender, age, etc.). In the stages creation and development also, some internal factors can be added, such as resources and human and financial capital (seed capital for creation and capital for growth for development).

Transversal to all stages managerial competencies is important and reveals some particularities according to the several stages. In the creation it is important that entrepreneurs create a business model and be able to plan and formulate the strategy of the future business. In creation and development stages other managerial competencies must considerer, namely innovation, strategy, marketing and management control.

Furthermore, a set of external factors can influence the success of new business all stages: indirect stakeholders (government, universities, associations, trade unions), direct stakeholders (competitors, suppliers, distributors, customers, etc), public policies (National, European and International), cooperation and networking with several organizations, business environment (hard and software infrastructures) and potential and actual market (domestic and international).

These factors compete among them in order to achieve or not entrepreneurial success.

AGENDA PROPOSAL AND FINAL CONSIDERATIONS

The literature review suggest that is not possible to isolate the factors that influence the success of business plan from the entrepreneurial success factors in general. In fact, business plan is an important tool that can be used in different stages of business to adjust strategy to environmental changes.

In this sense, an agenda proposal can be organized according with some dimensions:

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- Public policies

Public policies must be suitable to create regulation to business environment to support entrepreneurs in planning, creation, and development stages, particularly in the case of small business. Some particular focus of positive discrimination for vulnerable groups, such as young, women, immigrants should be considered, as well as policies and regulations more tailor made according with the sector in order to be able to increase the competitiveness.

- Human capital

In a macro perspective the human capital must be supported by education through a system that allows entrepreneurial skills, such as creativity, divergent thinking, critical spirit, multidisciplinary knowledge, autonomy, etc. Additionally, it is also important that in higher education students from different scientific areas have train in managerial competencies. In a micro perspective entrepreneur must attend to the importance of a long-term training and education of their collaborators.

- Financial capital

Government must create the conditions to promote the availability of the capital for different stages of business (seed capital, risk capital, micro credit, etc).

- Infrastructures

Infrastructures must be available for entrepreneurs. Some hard infrastructures such as communications, transports, but also soft infrastructures related with business are important, such as research centres, business incubators, coworking spaces, technological parks, business parks, that provide resources to the implementation and development of the business in different stages.

- Cooperation and networks

The cooperation and networks can be enhanced in different ways, externally and internally. Externally, through knowledge alliances between higher education, institutions, and companies, through competitors (cooperation), as well as through customers or suppliers. Internally, through the cooperation between companies of the same group, departments, and so on. Both externally and internally cooperation depends on the entrepreneurial profile, but not only. Also, policies can include measures to improve cooperation between different partners. For example, the access to public funding can depend on the cooperation between universities, companies, public administration, this means several parts. Technology transfer can become more effective through a close collaboration between from universities and research centres and companies. Also, education and training systems can contribute to improve the perception of positive benefits of cooperation.

In summary this paper allowed a systematization of the factors that influence the entrepreneurial success in several stages of the business. Through this research it was possible to understand that entrepreneurial success is systemic. That means, that is possible to identify some crucial factors, nevertheless these factors isolated are not sufficient to warranty entrepreneurial success in long term.

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One limitation of this exploratory research is the lack of empirical research to confirm the results of the proposals of the literature review. The next step plan to validate the literature review through an empirical research collecting data about entrepreneurial success factors with entrepreneurs from the stages of the business.

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Key Factors for Entrepreneurial Success

KEY TERMS AND DEFINITIONS

Business Plan: A business plan is a written document that describes in detail how a business, in general a new business) defines its objectives and how it is to go about achieving its goals.

Entrepreneur: Is an individual who creates a new business or implement changes in existing companies, taking risks. The entrepreneur is usually seen as an innovator, a source of new ideas, goods, services, and business/or procedures.

Entrepreneurship: Refers to the studies about the creation of new business. Could also be linked to opportunity and innovation. It is possible find different kinds of entrepreneurship, such as social entrepreneurship, female entrepreneurship, etc.

Startup: A startup is a company that seeks to explore a business opportunity in an innovative or untapped area. Instead of being supported by a fixed model, it has a more fluid concept, adapting to the opportunities that arise. Startups are associated to technology and innovation.